



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

February 12, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

SACRAMENTO UPDATE

Legislative Leadership Change

The defeat of Proposition 93 by voters on February 5, 2008, which would have altered existing term limits for legislators, led to several meetings by the Democratic Caucus in both houses. The meetings addressed plans to select future leadership in the Assembly and Senate as Assembly Speaker Nuñez and Senate President pro Tem Perata will be termed out at the end of the current session.

In the Senate, Sacramento Senator Darrell Steinberg emerged as the choice of the Senate Democratic Caucus to succeed Senate President pro Tem Perata, and an official vote has been scheduled for August 21, 2008. Senator Perata has indicated he will serve out his term in the position of Senate President pro Tem.

Assembly Speaker Nuñez held a meeting with the Assembly Democratic Caucus and indicated that a vote for his successor will be taken on March 11, 2008. In addition, the Sacramento Bee reports that Assembly Speaker Nuñez, at the request of the Caucus, will remain in the position of Speaker through the end of the legislative year.

Budget Special Session

Budget committees in both houses are scheduled to convene this week to take action on the Governor's proposed budget reductions for FY 2007-08. The Senate and Assembly held informational budget hearings that concluded earlier in the month. Our

Sacramento advocates have been advised that the committees are likely to adopt some of the Governor's proposed reductions to address the FY 2007-08 budget shortfall.

As reported in our February 1, 2008 Sacramento Update, these proposals, if fully enacted, would result in an estimated loss of \$18.4 million to the County in the current budget year. In addition, the impact of State deferrals of program payments to the County is estimated at \$453.5 million. Assuming a 3.25 percent rate of return, the loss of interest to the County associated with these payment deferrals is estimated at \$2.1 million, and the cost to borrow such funds is estimated at \$9.0 million. The first scheduled deferral payment, which will be to the County Road Fund, is estimated at \$10.5 million and would occur in April 2008. The majority of payment deferrals are scheduled for July 2008 and August 2008. Most of the repayments from the State are currently scheduled for September 2008.

Various bills have been introduced as part of the Third Extraordinary Session and relate to the Governor's declaration of a fiscal emergency. **ABX3 1 (Calderon)**, as introduced on January 29, 2008, would amend the Revenue and Taxation Code to eliminate provisions that entitle a lender to a deduction or refund of the sales or use tax previously reported and paid by a retailer on an account, for accounts that have been found to be worthless and charged off for income tax purposes. **ABX3 2 (Calderon)**, as introduced on January 29, 2008, would amend the Revenue and Taxation Code to revise the definition of a retailer engaged in business in California and clarify existing law by providing that a retailer is deemed to be engaged in business in California if a retailer has substantial nexus with the State as provided by applicable Federal and State law. We are in the process of determining whether or not these bills impact the County.

ABX3 3 through ABX3 17 (Committee on Budget) and SBX3 1 through SBX3 15 (Committee on Budget and Fiscal Review), as introduced on February 4, 2009, contain legislative intent to make statutory changes relating to the Budget Act of 2007. These bills serve as "placeholders" to enact legislation related to the Third Extraordinary Session on the FY 2007-08 State Budget.

The Governor's proposed reductions for FY 2008-09 will be considered by the Legislature during budget hearings that would be scheduled for March and April or held until the Governor releases the May State Budget Revision.

Pursuit of County Position on Legislation

AB 938 (Calderon), as amended on July 3, 2007, would authorize counties (and cities, if a county does not act) to convene watershed water quality committees (committee) composed of representatives from the regional water quality control board (RWQCB), resources agencies, water agencies, sanitation districts, environmental groups, landowners, business, industry, and agricultural interests to develop and facilitate

cooperation in achieving local water quality solutions. The committee would be required to prepare work plans that lead to the development of watershed water quality management plans. Each RWQCB will have 60 days to review and act on these work plans. If an RWQCB approves a work plan, the committee has three years to prepare a watershed water quality management plan for submission to the RWQCB.

AB 938 requires watershed water quality management plans to contain: 1) a description of the actions to protect water quality; 2) recommendations for public and private actions; 3) a coordinated economic analysis and financing plan which may include fees and charges, intergovernmental financing, and private funding; 4) best management practices and other measures to improve water quality; 5) a determination that water quality can be improved; and 6) a description of a proposed entity to carry out the plan. The State Water Resources Control Board (WRCB) would be authorized to review RWQCB actions and can require a RWQCB to approve the plan if the WRCB determines that a watershed plan complies with the Porter-Cologne Water Quality Control Act.

In addition, the bill would authorize a city, county, or special district that provides water, sanitation, or refuse collection services to impose user-based or regulatory fees to construct, operate, and maintain facilities that divert, intercept, or collect surface runoff, treat pollutants, and return the water to water bodies. The fees must have a "fair and reasonable relationship" to the benefits of implementing a watershed water quality management plan. Proposition 218 requires local officials to provide notice, conduct hearings and protest hearings, and other election requirements in order to charge property-related fees for stormwater facilities. Under AB 938, if the stakeholders agree to detailed watershed water quality plans outlined in the bill, local officials could charge user-based fees or regulatory fees, as those fees implement regulatory plans.

The Department of Public Works (DPW) indicates that the Los Angeles County Flood Control District (LACFCD) is mandated to comply with the regulatory requirements imposed by the Los Angeles RWQCB under the National Pollutant Discharge Elimination System (NPDES) Permit. The NPDES Permit lists the LACFCD, the County of Los Angeles, and 84 incorporated cities as permittees. However, as written, AB 938 would only authorize a county or city, excluding flood control districts, to convene these watershed water quality committees. DPW indicates that AB 938 should empower all entities under this permit to form committees. In the event the County of Los Angeles or cities in the County elect not to form a committee, the LACFCD would not be authorized to form a committee. This would severely limit the ability of the LACFCD to comply with State and Los Angeles RWQCB regulations.

In addition, DPW indicates that AB 938 does not mandate these committees to include the LACFCD. Without this requirement, LACFCD could potentially be faced with the development of a watershed water quality management plan that could likely impact the

flood control system without the District's participation. As such, the County's support of AB 938 should be contingent on an amendment that would authorize flood control districts to convene watershed water quality committees.

Support for AB 938 is consistent with existing policy to support efforts to protect and improve water quality including drinking water, groundwater, and urban storm water management. Support for the provision in AB 938 which allows local jurisdictions to charge user-based fees or regulatory fees for stormwater facilities is consistent with your Board's action of August 7, 2007 supporting SCA 12 (Torlakson), which would include stormwater and urban runoff management in the list of utility fees that may be imposed or increased without voter approval. **Therefore, our Sacramento advocates will support AB 938, if amended to include flood control districts as eligible entities to convene watershed water quality committees.**

AB 938 is supported by the California Major Builders Council, California Association of Realtors, California Business Properties Association, and the Southern California Water Committee. There is no known opposition. This measure is currently in the Senate Environmental Quality Committee awaiting a hearing date.

We will continue to keep you advised.

WTF:GK
ML:DD:IGA:hg

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants